

VZCZCXRO0371  
PP RUEHLMC  
DE RUEHLP #1244/01 1552211  
ZNY CCCCC ZZH  
P 032211Z JUN 08  
FM AMEMBASSY LA PAZ  
TO RUEHC/SECSTATE WASHDC PRIORITY 7624  
INFO RUEHAC/AMEMBASSY ASUNCION 8004  
RUEHBO/AMEMBASSY BOGOTA 5340  
RUEHBR/AMEMBASSY BRASILIA 9282  
RUEHBU/AMEMBASSY BUENOS AIRES 6506  
RUEHCV/AMEMBASSY CARACAS 3635  
RUEHGE/AMEMBASSY GEORGETOWN 0735  
RUEHPE/AMEMBASSY LIMA 3897  
RUEHLO/AMEMBASSY LONDON 0144  
RUEHMD/AMEMBASSY MADRID 4061  
RUEHMN/AMEMBASSY MONTEVIDEO 5511  
RUEHPO/AMEMBASSY PARAMARIBO 0416  
RUEHSP/AMEMBASSY PORT OF SPAIN 0537  
RUEHQT/AMEMBASSY QUITO 6259  
RUEHSG/AMEMBASSY SANTIAGO 0958  
RUEHTC/AMEMBASSY THE HAGUE 0765  
RUEHRI/AMCONSUL RIO DE JANEIRO 0997  
RUEHSO/AMCONSUL SAO PAULO 2261  
RUEKJCS/SECDEF WASHINGTON DC  
RUEAIIA/CIA WASHINGTON DC  
RHEBAAA/DEPT OF ENERGY WASHINGTON DC  
RUEHUB/USINT HAVANA 1170  
RUEHLMC/MILLENNIUM CHALLENGE CORP

C O N F I D E N T I A L SECTION 01 OF 02 LA PAZ 001244

SIPDIS

E.O. 12958: DECL: 06/02/2018  
TAGS: [ECON](#) [PGOV](#) [PREL](#) [ENRG](#) [EPET](#) [EINV](#) [BL](#)  
SUBJECT: EVO NATIONALIZES GAS TRANSPORT COMPANY

REF: A. LA PAZ 01024 B. LA PAZ 01233

Classified By: EcoPol Chief Mike Hammer for reasons 1.4 (b) and (d).

¶1. (C) SUMMARY. On Sunday, June 1, President Evo Morales issued yet another decree nationalizing a portion of the natural gas sector in Bolivia. The decree, signed by Morales on June 2 in a takeover ceremony in Santa Cruz, states that the Bolivian state energy company YPFB will takeover Tranredes SA at an offered price of \$241 million dollars. Transredes, owned by Anglo-Dutch Shell and British company Ashmore International, reports a follow-up meeting with Hydrocarbons Minister Carlos Villegas, where representatives from the company opposed the decree, calling it "illegal." The ministry denied the allegations and pointed to a section of the decree that allows for arrest of any company officials that try to prevent the takeover. The methods used show that once again, Evo is taking no prisoners in his vision for Bolivia. END SUMMARY.

- - - - -  
CONSPIRACY AGAINST EVO?  
- - - - -

¶2. (U) In a speech on June 1, Morales announced that YPFB will be taking over Transredes SA, a natural gas transportation company that provides delivery of the gas to Argentina and Brazil. Morales' speech followed-up on a May 1 announcement that the government would acquire 51% of Transredes. (ref A) In the month that led up to the June 1 decree, Morales says that Ashmore stalled and was uncooperative in the sale. "They wanted to be bosses" and have YPFB "be the employees," says Morales, who responded with "Partners are welcome, but we will not accept bosses." Evo warned that firms "who come here to do political activities, to conspire, will be expelled." Ministers also accused Transredes of environment violations and conspiracy against the Government, "Patience has limits...and we're not going to support companies that are conspiring, like Enron or Ashmore." (NOTE: Enron was a founding partner in Transredes.

END NOTE.) Morales made his point clear by holding a "takeover ceremony" at Transredes Headquarters in Santa Cruz, attended by several government heavyweights, including Minister Villegas, Commander of the Armed Forces General Luis Trigo and other members of the military high command.

- - - - -  
DECREE AND DEAL DETAILS  
- - - - -

¶3. (C) While international and local press are crying "Expropriation!" the Bolivian Government has offered to pay Transredes \$48 per share, which amounts to a total of \$241 million dollars. The government claims that this is the price that they have been paying to all large companies in the industry under their nationalization plan, which was announced May of 2007. Last record from the Bolivian stock market for Transredes was from December of 2007 for approximately \$60 per share. After the takeover, YPFB will own 98% of Transredes; they will continue to purchase the remaining 2% from smaller owners at a price of \$40 per share.

¶4. (C) YPFB will assume control, administration, direction and operations of Transredes. Hydrocarbons Minister Villegas has "guaranteed" that lower-level employees will keep their jobs and that service will continue as planned. The decree also contains a paragraph that anyone that tries to impede or disturb the nationalization of the company can and will be charged with "anti-economic conduct" and will be tried according to the Bolivian Penal Code. The government has already appointed a new president to the company, Gary Daher. Daher, a poet and novelist by trade, is already being criticized in the press for his lack of management experience and insufficient knowledge of the industry.

¶5. (C) Ashmore and Shell have refused to issue a formal comment, but an insider told emboff of a "nasty" meeting held between Ashmore and Shell officials and Minister Villegas on June 2 after the ceremony. Legal counsel tried to force the ministry to justify the actions saying they were "illegal," but Villegas denied the claims, and pointed to the section of the decree threatening company officials if they impede the nationalization. British DCM Steve Townsend tells us that Ashmore and Shell are prepared to take legal action, but the current vow of silence could indicate that the companies are taking the threats seriously and are hoping to "cut their losses."

- - - - -  
BUYER BACKLASH AT HOME AND ABROAD  
- - - - -

¶6. (C) The Bolivian Hydrocarbons Chamber issued a statement June 3, citing their "regret" about the method used to take control of Transredes, saying that "(Transredes) during all of their 11 years here have demonstrated the highest commitment of operating efficiency." The Chamber also indirectly expressed its concerns about YPFB's ability to deliver on the high demand for gas, domestically and abroad. The statement comes on the heels of an announcement by Brazilian gas company Petrobras saying they struck a deal with British BG Group to counter the risks of solely relying on their Bolivian suppliers. Argentina also recently announced its plans to diversify, moving into negotiations with Trinidad and Tobago. When asked about the deal by a recent CODEL visit, Bolivian Vice-President Garcia Linera admitted that "Bolivia does not have the money to invest in order to expand gas production" and blamed the issue on the Argentines. (ref B)

- - - - -  
COMMENT  
- - - - -

¶7. (C) The Transredes takeover reveals exactly how little patience Morales has left for "negotiations" and signals

another wrong turn for the hydrocarbons industry. YPFB was already being criticized for getting in over its head. In the end, both the act and method of nationalization will continue to spur uncertainty and curtail investment not only in hydrocarbons and but also what remains of the Bolivian private sector in general. END COMMENT.

GOLDBERG